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June 29, 2009

Board of Directors
Family Works, Inc.
3675 Washington Blvd.
Indianapolis, IN 46205

We have reviewed the audit report prepared by Haywood & Petrow, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Family Works, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

FAMILY WORKS, INC.

DECEMBER 31, 2007 and 2006

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haywoodpetrow

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Family Works, Inc.
Indianapolis, Indiana

We have audited the accompanying Statements of Assets, Liabilities and Equity of Family Works, Inc., as of December 31, 2007 and 2006 and the related Statements of Revenues, Expenses and Retained Earnings and Statements of Cash Flows (all cash basis) for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Works, Inc., as of December 31, 2007 and 2006 and the results of its operations for the years then ended, on the basis of accounting described in Note 1.

We have also issued a report dated September 26, 2008 on our consideration of Family Works Inc.'s internal control structure and on its compliance with laws and regulations. This report can be found on page 10.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of direct program expenses and general and administrative expenses (both cash basis) for the years ended December 31, 2007 and 2006, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Indianapolis, Indiana
September 26, 2008

FAMILY WORKS, INC.
 SCHEDULES OF ASSETS, LIABILITIES AND EQUITY - CASH BASIS
 December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 12,392	\$ 219,812
TOTAL CURRENT ASSETS	12,392	219,812
PROPERTY AND EQUIPMENT		
Machinery and equipment	41,638	41,638
Vehicles	<u>22,289</u>	<u>22,289</u>
	63,927	63,927
Less accumulated depreciation	<u>(53,562)</u>	<u>(51,619)</u>
	<u>10,365</u>	<u>12,308</u>
	<u>\$ 22,757</u>	<u>\$ 232,120</u>

	<u>2007</u>	<u>2006</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Pension liability payable	\$ 2,506	\$ 1,766
Note payable, shareholder (Note 6)	<u>18,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	20,506	1,766
STOCKHOLDERS' EQUITY		
Common stock, 1,500 shares, no par value, authorized, issued, and outstanding	1,500	1,500
Retained earnings	<u>751</u>	<u>228,854</u>
	<u>2,251</u>	<u>230,354</u>
	<u>\$ 22,757</u>	<u>\$ 232,120</u>

See accompanying notes and accountant's report.

FAMILY WORKS, INC
 STATEMENTS OF REVENUES, EXPENSES AND RETAINED
 EARNINGS - CASH BASIS
 For years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
PROGRAM REVENUES	\$ 975,525	\$ 1,488,183
OPERATING EXPENSES		
Direct program expense	851,313	1,095,569
General & administrative expense	<u>305,475</u>	<u>242,170</u>
(LOSS) INCOME FROM OPERATIONS	(181,263)	150,444
OTHER INCOME		
Interest income	<u>1,160</u>	<u>-</u>
NET (LOSS) INCOME	(180,103)	150,444
BEGINNING RETAINED EARNINGS	228,854	178,410
Distributions	<u>(48,000)</u>	<u>(100,000)</u>
ENDING RETAINED EARNINGS	<u>\$ 751</u>	<u>\$ 228,854</u>

See accompanying notes and accountant's report.

FAMILY WORKS, INC
STATEMENTS OF CASH FLOWS - CASH BASIS
For years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 975,525	\$ 1,488,183
Cash paid to suppliers and employees	(1,154,105)	(1,330,566)
Interest received	1,160	-
	<u>1,160</u>	<u>-</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(177,420)	157,617
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	-	(2,841)
Distributions to shareholder	(48,000)	(100,000)
	<u>(48,000)</u>	<u>(100,000)</u>
NET CASH USED BY INVESTING ACTIVITIES	(48,000)	(102,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments received from shareholder loan	18,000	-
	<u>18,000</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	18,000	-
NET (DECREASE) INCREASE IN CASH	(207,420)	54,776
NET CASH AT BEGINNING OF YEAR	<u>219,812</u>	<u>165,036</u>
NET CASH AT END OF YEAR	<u>\$ 12,392</u>	<u>\$ 219,812</u>

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF NET (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net (loss) income	\$ (180,103)	\$ 150,444
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:		
Depreciation	1,943	4,783
Decrease in other net assets	-	624
Increase in payroll tax and pension withholdings	740	1,766
	<u>740</u>	<u>1,766</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (177,420)</u>	<u>\$ 157,617</u>

See accompanying notes and accountant's report.

FAMILY WORKS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Family Works, Inc., ("the Company") was formed in September of 1990 for the purpose of providing family and individual diagnostic, evaluation and counseling services in the metropolitan Indianapolis area. The Company provides all of its services as one program. These services include: 1) crisis sex abuse; 2) juvenile sex offender counseling; 3) family therapy; 4) parenting assessments; 5) oversight of court ordered guardianship; and 6) home based counseling. The Company's primary contracts are with the Indiana Family Social Services Administration, Marion County and Hamilton County.

Basis of accounting

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Company has not recognized accounts receivable from clients and third party agencies or accounts payable to vendors and their related effects on earnings in the accompanying financial statements.

Cash and cash equivalents

The Company classifies as cash all investments with an original maturity of less than three months or investments purchased within three months of maturity. All other investments are classified as short-term investments.

Property and equipment

Property and equipment is stated at cost. Depreciation is provided using the double-declining method over the estimated useful lives of the respective items. Expenditures extending the useful life of existing items are capitalized and depreciated. Maintenance and repairs are charged to operations when incurred. When items are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

FAMILY WORKS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income taxes

The Company, with the consent of its sole shareholder, has elected to be taxed under sections of the federal and state income tax laws, which provide that, in lieu of corporate income taxes, the shareholder individually accounts for the Company's items of income, deduction, losses and credits within her individual income tax return.

Use of estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS, UNINSURED CASH

The Company maintains cash balances at one financial institution. By law, accounts at any regulated financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Company's uninsured cash balance at December 31, 2007 and 2006 was \$0 and \$119,182, respectively.

NOTE 3 - CONCENTRATIONS, PROGRAM REVENUES

During the years ended December 31, 2007 and 2006, the Company's significant program revenues were derived from contracts with the Indiana Family Social Services Administration, Marion County and Hamilton County.

FAMILY WORKS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RELATED PARTY ACTIVITY, OPERATING LEASE

The facility from which the Company oversees its operation is owned by the sole shareholder and her husband. Under the terms of the lease, the Company must bear the cost of real estate taxes, insurance, utilities and any other costs associated with occupying the facility. The Company leases the facility at a monthly cost of \$4,800. Rent expense of \$57,600 has been included in the income statements for both of the years ended December 31, 2007 and 2006.

The lease expires on December 31, 2008. The total minimum commitment at December 31, 2007 under this lease is due as follows:

	2008	<u>57,600</u>
Total lease payments		<u>\$ 57,600</u>

NOTE 5 - PENSION PLAN

The Company sponsors a SIMPLE salary reduction pension plan. Eligible employees can defer up to the maximum amount, set annually by the Internal Revenue Service, of their compensation into the Plan. The Company funds a matching contribution of thirty-five cents for every dollar deferred by employees. Pension expense of \$11,572 and \$11,440 has been included in the income statements for the years ended December 31, 2007 and 2006, respectively.

NOTE 6 - NOTES PAYABLE, SHAREHOLDER

On October 17, 2007, the sole shareholder of the Company and her husband made an unsecured loan to the Company. The note is payable upon demand and carries an interest rate of three percent per annum. On July 31, 2008 this loan was repaid in full.

FAMILY WORKS, INC.
 SCHEDULE I-DIRECT PROGRAM EXPENSES - CASH BASIS
 For years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 659,835	\$ 871,799
Seminars and training	4,070	8,325
Reimbursed expenses	10,150	3,594
Health insurance-group	46,542	67,129
Liability insurance	3,917	5,064
Insurance-workman's comp	1,955	2,197
Payroll taxes	54,224	71,120
Home-based program expense	-	729
Juvenile sex offender expenses	204	445
Parenting assessments	4,961	8,340
Mileage	<u>65,455</u>	<u>56,827</u>
TOTAL DIRECT PROGRAM EXPENSES	<u><u>\$ 851,313</u></u>	<u><u>\$ 1,095,569</u></u>

See accountant's report.

FAMILY WORKS, INC.
 SCHEDULE II-GENERAL & ADMINISTRATIVE EXPENSES - CASH BASIS
 For years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 163,582	\$ 96,866
Alarm service	264	264
Cleaning service	3,265	3,220
Lawn care service	237	232
Postage and delivery	1,018	1,327
Computer services	2,778	5,696
Depreciation expense	1,943	4,783
Dues and subscriptions	602	1,389
Utilities	3,158	3,156
Health insurance-group	11,317	7,459
Liability insurance	953	563
Insurance-workman's comp	476	244
Accounting and legal	11,815	12,590
Miscellaneous	558	1,032
Office expense	835	531
Office supplies	4,279	3,915
Outside labor	6,423	11,500
Printing and books expense	1,926	2,204
Rent (Note 4)	57,600	57,600
Repair and maintenance	954	837
Pension expense (Note 5)	11,572	11,440
Real estate taxes	1,918	1,971
Payroll taxes	13,185	7,902
Telephones	4,414	4,611
Meals	403	838
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 305,475</u>	<u>\$ 242,170</u>

See accountant's report.



CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Directors
Family Works, Inc.
Indianapolis, Indiana

We have audited the cash basis financial statements of Family Works, Inc., as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 26, 2008. We conducted our audits in accordance with generally accepted auditing standards in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Family Works, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Family Works, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Indianapolis, Indiana
September 26, 2008

A handwritten signature in cursive script that reads "Haywood + Petrow".

FAMILY WORKS, INC.

Exit Conference

On September 29, 2008, an exit conference was conducted with the officers and other members of management of Family Works, Inc. They concurred with the audit results.